

## Message Text

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ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 /018 W  
----- 014788

R 051533Z MAR 76  
FM AMCONSUL RIO DE JANEIRO  
TO SECSTATE WASHDC 3448  
INFO USDOC WASHDC  
AMEMBASSY BRASILIA

UNCLAS RIO DE JANEIRO 0944

USDOC PASS MEPD

E. O. 11652: N/A  
TAGS: BENC, BR  
SUBJ: TELECOMMUNICATIONS

REF.: STATE 51651

1. REPORT IN REFTEL REGARDING BIDDING FOR NEW TELEPHONE EXCHANGE  
INACCURATE IN SEVERAL REGARDS. STATE OF PLAY IS AS FOLLOWS:

A. THE GOB HAS DECIDED TO INSTALL SEMI-ELECTRONIC TELEPHONE  
EXCHANGES THAT ARE TO BE MANUFACTURED IN BRAZIL.

B. A GOVERNMENT TENDER FOR TRANSFER OF THE TECHNOLOGY HAS BEEN  
ISSUED (REPORTED IN RIO 522 OF FEB. 4, 1976 BEING REPEATED TO  
SECSTATE). THE FIVE COMPANIES MENTIONED IN REFTEL (ITT, SIEMENS,  
NEC, ERICSSON AND PHILLIPS) MAY ALL BID TO PROVIDE THE  
TECHNOLOGY. HOWEVER, ANY OTHER FOREIGN COMPANIES THAT  
POSSESS THE TECHNOLOGY MAY ALSO BID.

C. THE ACTUAL MANUFACTURE OF THE EXCHANGES, HOWEVER, WILL BE  
SUBJECT TO A NUMBER OF RESTRICTIONS. FORTY PER CENT OF THE  
MARKET IS RESERVED TO NATIONALLY CONTROLLED COMPANIES.  
FOREIGN COMPANIES ALREADY RESIDENT IN BRAZIL WILL BE ELIGIBLE  
TO BID ON THE REMAINING SIXTY PER CENT. ELIGIBLE COMPANIES  
WOULD INCLUDE NOT ONLY THE FIVE COMPANIES MENTIONED ABOVE BUT ALSO  
GTE SINCE THE LATTER IS OPERATING IN BRAZIL. THERE MAY BE  
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SOME OTHER COMPANIES THAT ARE ELIGIBLE BUT WE ARE UNAWARE OF

THEIR NAMES. THE INCLUSION OF GTE EVEN THOUGH THEY ARE NOT MANUFACTURING IN THIS AREAS PRESENTLY WAS THE RESULT OF SKILLFUL LOBBYING BY GTE OF BRAAZIL.

D. BIDDING FOR THE MANUFACTURE, AS OPPOSED TO THE TRANSFER OF TECHNOLOGY, HAS NOT RPT NOT BEEN ANNOUNCED. RATHER, THIS WILL AWAIT RESOLUTION OF THE BIDDING ON THE TECHNOLOGY.

E. IT IS ENTIRELY POSSIBLE THAT THE GUIDELINES OUTLINED IN PARA C ABOVE MAY BE CHANGED. AS PRESENTLY WRITTEN, THE "NATIONAL" COMPANY MAY BE MINORITY FOREIGN-OWNED. SEIZING THE OPPORTUNITY STANDARD ELECTRIC (ITT'S BRAZILIAN SUBSIDIARY) AND A BRAZILIAN FIRM FORMED A 49/51 JOINT VENTURE TO PRODUCE SEMI-ELECTRONIC EXCHANGES. HOWEVER, THERE ARE SOME INDICATIONS NOW THAT THE GOB MAY CHANGE THE GUIDELINES TO RESERVE FORTY PER CENT OF THE MARKET FOR A "TRULY NATIONAL" COMPANY, ONE WITH 100 PERCENT NATIONAL OWNERSHIP. SINCE THERE ARE NO POTENTIAL COMPANIES THAT FIT THIS BILL SUCH A COMPANY WOULD PRESUMABLY HAVE TO BE CREATED.

F. CONGEN WILL PROVIDE FURTHER INFORMATION AS BIDDING PROCEEDS AND IF GUIDELINES ARE CHANGED.  
DEXTER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 05 MAR 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976RIODE00944  
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**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Office:** ACTION EB  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ShawDG  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 01 SEP 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <01 SEP 2004 by meiwc>; APPROVED <21 OCT 2004 by ShawDG>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
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**TAGS:** BENC, BR  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006